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RECYCLING PETRODOLL THE \$100 BILLION UNDERSTANDING

By Tad Szulc

Under four successive Administrations, the United States Government has been granting Arab oil-producing nations, notably Saudi Arabia and Kuwait, an extraordinary degree of favoritism, protected by a heavy veil of secrecy, in the operation of their multibillion-dollar financial investments and assets in this country.

Many members of Congress and Federal officials are becoming increasingly fearful that the concealed acquisition of largely unknown and unidentified investments may be seriously detrimental to the American national interest, leaving this country's economy vulnerable to adverse influence by Arab interests. And it appears from Government documents collected in preparation for public hearings scheduled to begin this Tuesday by the Subcommittee on Commerce, Consumer and Monetary Affairs of the House Committee on Government Operations that Washington's policies of deliberate concealment evolved largely as a result of diplomatic pressures and open threats: Unless their preferential treatment continues, the Arabs have threatened to curtail petroleum production and to shift their huge assets and investments, possibly as much as \$100 billion, from the United States.

While the wisdom and the propriety of some of the pro-Arab measures undertaken by the United States — including tax breaks for the Arabs —

were often questioned in internal Government deliberations, in the end, the desire, or the perceived need, to placate the Arabs has invariably prevailed.

But many members of Congress, concerned over the continuing flood of foreign capital, have begun to escalate their demands for an explanation of why such practices are permitted to continue and why the Federal Government, with all the resources at its command, is unable to keep track of them, especially those of the Arab members of the Organization of Petroleum Exporting Countries (OPEC). Those in Congress who follow such matters closely are especially disturbed by the current "discrepancy" of more than \$60 billion in the United States' balance of payments accounts, funds that have flowed to this country from abroad in recent years and that nobody seems capable of locating or identifying.

At the time the discrepancy was first discovered, C. Fred Bergsten, then Assistant Secretary of the Treasury for International Affairs, sent a memo on the subject to then Treasury Secretary William Miller with this handwritten notation: "This is ridiculous. Do we have any idea what is causing this? Can any more research help?"

When the Carter Administration froze Iranian assets in November 1979 in apparent retaliation for the seizure of American Embassy hostages, it was months before the extent of these assets could be traced down and identified.

The investigators found \$11 billion worth, and even then they could not be absolutely certain they had unearthed all of them. (Advance estimates had ranged from \$6 million to \$12 million.)

Taking the view that without adequate information Congress cannot knowledgeably consider legislation on foreign investments nor be in a position to assess what strategies might have to be adopted in the event of an emergency, Representative Benjamin S. Rosenthal, Democrat of New York, called this week's hearings in a second attempt to elicit additional information from various Government agencies. A report on similar hearings held in 1979 by Congressman Rosenthal's subcommittee harshly criticized the Carter Administration for refusing to make available information in its possession. In preparation for this week's sessions, the subcommittee has amassed voluminous detailed background papers from a number of Government agencies which it hopes to use as a lever to pry open even more information on the subject.

According to the documents, many of which this writer has seen, the Treasury Department was effectively able to prevent the Central Intelligence Agency from giving Congress precise data on Arab investments. The secrecy was reinforced when the Carter Administration placed a high security classification on details of vital information concerning Arab finances. The practice remains in force under the Reagan Administration, which prevents Government agencies, such as the Commerce Department and the Governors of the Federal Reserve System from obtaining country-by-country breakdowns of Arab OPEC investments.

There is, in fact, very little "national-interest" control over foreign investments. The Government must approve the acquisition of American companies involved in defense, banking and broadcasting. Still, there is no way of knowing how much money is invested any-